Financial Statements of

BRITISH COLUMBIA MENTAL HEALTH SOCIETY BRANCH

Year ended March 31, 2015

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June 22, 2015

Independent Auditor's Report

To the Board of British Columbia Mental Health Society Branch

We have audited the accompanying financial statements of British Columbia Mental Health Society Branch, which comprise the statement of financial position as at March 31, 2015 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation of these financial statements in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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Opinion
In our opinion, the financial statements which comprise the statement of financial position as at March 31, 2015 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the related notes, are prepared, in all material respects, in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of matter
Without modifying our opinion, we draw your attention to note 1 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants

BRITISH COLUMBIA MENTAL HEALTH SOCIETY BRANCH

Statement of Financial Position
(Amounts expressed in thousands of dollars)

As at March 31, 2015

	2015	2014
Financial assets		
Cash and cash equivalents	$ 2	$ -
Accounts receivable (note 2)	29,241	27,374
	29,243	27,374
Liabilities		
Accounts payable and accrued liabilities (note 3)	2,100	-
Retirement allowance (note 4(a))	176	-
	2,276	-
Net financial assets	$ 26,967	$ 27,374
Non-financial assets		
Prepaid expenses	$ 407	$ -
	407	-
Accumulated surplus	$ 27,374	$ 27,374

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director and Chair of the Board

Director

BRITISH COLUMBIA MENTAL HEALTH SOCIETY BRANCH

Statement of Operations and Accumulated Surplus
(Amounts expressed in thousands of dollars)

Year ended March 31, 2015

	2015 Budget (note 1(j))	2015	2014
Revenues:			
Provincial Health Services Authority contributions	$ -	$ 7,159	$ -
Medical Services Plan	-	193	-
Other (note 5(a))	-	7	-
	-	7,359	-
Expenses (note 5(b)):			
Mental health and substance use	-	7,359	-
	-	7,359	-
Annual surplus	$ -	$ -	$ -
Accumulated surplus, beginning of year	27,374	27,374	27,374
Accumulated surplus, end of year	$ 27,374	$ 27,374	$ 27,374

See accompanying notes to financial statements.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY BRANCH

Statement of Changes in Net Financial Assets
(Amounts expressed in thousands of dollars)

Year ended March 31, 2015

	2015 Budget (note 1(j))	2015	2014
Annual surplus	$ -	$ -	$ -
Acquisition of prepaid expenses	-	(748)	-
Use of prepaid expenses	-	341	600
	-	(407)	600
(Decrease) increase in net financial assets	-	(407)	600
Net financial assets, beginning of year	27,374	27,374	26,774
Net financial assets, end of year	$ 27,374	$ 26,967	$ 27,374

See accompanying notes to financial statements.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY BRANCH

Statement of Cash Flows
(Amounts expressed in thousands of dollars)

Year ended March 31, 2015

	2015	2014
Cash flows from (used in) operating activities:		
Annual surplus	$ -	$ -
Items not involving cash:		
Transfer of employees from other Health Authorities	176	-
Transfer of retirement allowance to Provincial Health Services Authority	-	(207)
Transfer of BC Public Service Long-term Disability Plan to Provincial Health Services Authority	-	1,231
	176	1,024
Net change in non-cash operating items (note 6)	(174)	(1,229)
Net change in cash from operating activities	2	(205)
Increase (decrease) in cash and cash equivalents	2	(205)
Cash and cash equivalents, beginning of year	-	205
Cash and cash equivalents, end of year	$ 2	$ -

See accompanying notes to financial statements.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY BRANCH

Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2015

The British Columbia Mental Health Society Branch (the "Branch") is a branch society of the Provincial Health Services Authority ("PHSA" or the "Authority") which was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health (the "Ministry") and is one of six health authorities in British Columbia ("BC"). The Branch is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment, and complete its capital projects. The Branch is a not-for-profit organization under the *Income Tax Act* and, as such, is exempt from income and capital taxes.

The following agencies/programs (collectively referred to as "Agencies") are also included in PHSA:

British Columbia Cancer Agency Branch;

British Columbia Centre for Disease Control and Prevention Society Branch;

British Columbia Emergency Health Services Corporation;

British Columbia Provincial Renal Agency;

British Columbia Transplant Society Branch;

Cardiac Services British Columbia;

Children's & Women's Health Centre of British Columbia Branch;

Forensic Psychiatric Services Commission; and

Health Shared Services BC.

Effective December 31, 2001, the above-noted branch societies except for Health Shared Services BC and British Columbia Emergency Health Services Corporation were amalgamated with, and continue the operations of, their respective former societies under bylaws and constitutions consistent with PHSA. The amalgamated Branch is considered a continuation of the former Branch for financial reporting purposes.

During the year ended March 31, 2013, the activities of the Riverview Hospital operated by the Branch were discontinued. The patients and relevant staff were transferred to regional health authorities. During the year ended March 31, 2015, mental health and substance use treatment programs under the provincial mandate were transferred from regional health authorities to the Branch.

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the "framework").

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB") without any PS 4200 series.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors. For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS. Accounting in accordance with Regulation 198/2011 did not have a significant impact on the Branch's financial statements.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand.

(c) Accounts receivable:

Accounts receivable are recorded at amortized cost less an amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value when risk of loss exists. Changes in valuation allowance are recognized in the statement of operations.

(d) Employee benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability and health and welfare benefits plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. Plan assets are measured at fair value.

1. Significant accounting policies (continued):

(d) Employee benefits (continued):

(i) Defined benefit obligations, including multiple employer benefit plans (continued):

The cumulative unrecognized actuarial gains and losses on retirement allowance benefits are amortized over the expected average remaining service lifetime of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2014 – 10 years). Actuarial gains and losses on event-driven benefits such as long-term disability and health and welfare benefits that do not vest or accumulate are recognized immediately.

The discount rate used to measure the obligations is based on the Province of BC's cost of borrowing if there are no plan assets. Where there are plan assets, the discount rate is the rate of return on plan assets. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when they become payable.

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits based on estimates of the expected future settlements.

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Branch to pay benefits occurs.

(e) Non-financial assets:

Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period during which the service benefits are received.

(f) Revenue recognition:

Under the *Hospital Insurance Act* and *Regulation* thereto, the Branch is funded primarily by the Province of BC in accordance with budget management plans and performance agreements established and approved by the Ministry.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

1. Significant accounting policies (continued):

(f) Revenue recognition (continued):

Revenues related to fees or services received in advance of the fees being earned or the services being performed are deferred and recognized when the fees are earned or services are performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided fair value can be reasonably determined.

(g) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the valuation of accounts receivable, contingent liabilities and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(h) Foreign currency translation:

The Branch's functional currency is the Canadian dollar. The Branch does not have significant transactions denominated in foreign currencies.

(i) Financial instruments:

Financial instrument classification is determined upon inception. Financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for valuation allowance. All other financial liabilities are recorded using cost or amortized cost.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

A financial liability or its part is derecognized when it is extinguished.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Branch's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

(j) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Branch's Fiscal 2014/2015 Budget approved by the Board of Directors on June 26, 2014. The budget is reflected in the statement of operations and accumulated surplus and the statement of changes in net debt.

(k) Future accounting standards:

(i) In March 2015, PSAB issued PS 2200, *Related Party Disclosures*. PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the financial statements. PS 2200 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 2200 on the financial statements of the Branch.

(ii) In March 2015, PSAB issued PS 3420, *Inter-entity Transactions*. PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. The main features of the standard are as follows:

- Under a policy of cost allocation, revenues and expenses are recognized on a gross basis;
- Transactions are measured at the carrying amount, except in specific circumstances;
- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice; and
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.

1. Significant accounting policies (continued):

(k) Future accounting standards (continued):

Requirements of this standard are considered in conjunction with requirements of PS 2200. PS 3420 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3420 on the financial statements of the Branch.

2. Accounts receivable:

		2015		2014
Provincial Health Services Authority	$	28,559	$	27,374
Other health authorities and BC government reporting entities		492		-
Medical Services Plan		149		-
Federal government		22		-
Other		19		-
	$	29,241	$	27,374

3. Accounts payable and accrued liabilities:

		2015		2014
Trade accounts payable and accrued liabilities	$	1,252	$	-
Salaries and benefits payable		560		-
Accrued vacation pay		288		-
	$	2,100	$	-

4. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective or employee agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Branch's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2012 and extrapolated to March 31, 2015 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2015 are derived. The next expected valuation will be as of December 31, 2015.

4. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

	2015	2014
Accrued benefit obligation:		
Sick leave benefits	$ 95	$ -
Severance benefits	81	-
Accrued benefit liability	$ 176	$ -

The accrued benefit liability for retirement allowance reported on the statement of financial position is as follows:

	2015	2014
Accrued benefit liability, beginning of year	$ -	$ 207
Transfer of employees from (to) other health authorities and Agencies	176	(207)
Accrued benefit liability, end of year	$ 176	$ -

The significant actuarial assumptions adopted in measuring the Branch's accrued retirement benefit obligation are as follows:

	2015	2014
Accrued benefit obligation as at March 31:		
Discount rate	3.98%	4.26%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	4.26%	4.41%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

4. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability benefits and group life insurance, accidental death and dismemberment, extended health and dental claims ("health and welfare benefits") for certain employee groups of the Branch and other provincially funded organizations.

(i) Long-term disability and health and welfare benefits:

The Trust is a multiple employer plan with respect to long-term disability benefits initiated after September 30, 1997 and health and welfare benefits after December 31, 2014. The assets and liabilities for these long-term disability and health and welfare benefits have been segregated for PHSA, but not for individual branches of PHSA. Accordingly, the Branch participates in a multi-employer defined benefit plan for long-term disability and health and welfare benefits that is now restricted to members of PHSA.

The most recent actuarial valuation for the PHSA plan at December 31, 2014 extrapolated to March 31, 2015 indicated a surplus of $9,860 (March 31, 2014 – $20,299). Contributions of $86 (2014 – $-) were expensed during the year. The PHSA plan covers approximately 12,000 active employees, of which approximately 200 are employees of the Branch. The next expected valuation will be as of December 31, 2015.

(ii) Other Trust benefits:

The group life insurance, accidental death and dismemberment, extended health, dental, and pre-October 1, 1997 long-term disability claims administered by the Trust were structured as a multi-employer plan prior to December 31, 2014. Contributions to this pool for the nine month period ended December 31, 2014 of $- (twelve months ended March 31, 2014 – $-) were expensed during the year. From January 1, 2015, the Branch no longer participates in this pool. Starting January 1, 2015, the contributions are made to and benefits are provided through the long-term disability and health and welfare benefit plan.

(c) BC Public Service Long-term Disability Plan:

The BC Public Service administered the Long-term Disability Plan (the "Plan") for the former employees of the Branch and other provincially funded organizations. The Plan is a multiple employer plan. The Branch's assets and liabilities for these long-term disability benefits have been segregated. Accordingly, the Branch's net plan (assets) liabilities are reflected in these financial statements.

The Branch's (assets) liabilities are based on the actuarial valuation at September 30, 2013. During the year ended March 31, 2014, the Plan was transferred to PHSA.

4. Employee benefits (continued):

(c) BC Public Service Long-term Disability Plan (continued):

The BC Public Service Long-term Disability Plan asset reported on the statement of financial position is as follows:

	2015	2014
Long-term disability benefits asset, beginning of year	$ -	$ (1,231)
Transfer of BC Public Service Long-term Disability Plan to PHSA	-	1,231
Long-term disability benefits asset, end of year	$ -	$ -

(d) Employee pension benefits:

The Branch and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of $155 (2014 – $-) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2012 indicated an unfunded liability of approximately $1,370,000. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 179,000 active members, of which approximately 120 are employees of the Branch. The next expected valuation will be as of December 31, 2015.

5. Statement of operations:

(a) Other revenues:

Other revenues are recoveries from sales of goods and services.

5. Statement of operations (continued):

(b) The following is a summary of expenses by object:

	2015	2014
Compensation and benefits:		
Compensation	$ 2,342	$ -
Employee benefits	468	-
	2,810	-
Referred-out and contracted services:		
Health and support services providers	2,523	-
Other health authorities and BC government reporting entities	134	-
	2,657	-
Equipment and building services:		
Building and grounds service contracts	743	-
Equipment	455	-
Rent	262	-
Plant operations (utilities)	2	-
	1,462	-
Supplies:		
Laundry and linen	71	-
Drugs and medical gases	24	-
Housekeeping	18	-
Diagnostic	13	-
Printing, stationery and office	9	-
Medical and surgical	4	-
Food and dietary	3	-
Other	109	-
	251	-
Sundry:		
Professional fees	134	-
Patient transport	8	-
Communication and data processing	3	-
Travel	1	-
Other	33	-
	179	-
	$ 7,359	$ -

6. Supplementary cash flow information:

Net change in non-cash operating items:

	2015	2014
Accounts receivable	$ (1,867)	$ 6,157
Accounts payable and accrued liabilities	2,100	(7,986)
Prepaid expenses	(407)	600
	$ (174)	$ (1,229)

7. Related parties and other agencies:

(a) BC government reporting entities:

The Branch is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The financial statements include transactions and balances with these parties in the following amounts:

	2015	2014
Revenues:		
Medical Services Plan	$ 193	$ -
	$ 193	$ -

	2015	2014
Expenses:		
Equipment and building services	$ 294	$ -
Referred-out and contracted services	134	-
Sundry	151	-
	$ 579	$ -

7. Related parties and other agencies (continued):

(a) BC government reporting entities (continued):

	2015	2014
Accounts receivable:		
Other health authorities and BC government reporting entities	$ 492	$ -
Medical Services Plan	149	-
	$ 641	$ -
Accounts payable and accrued liabilities	$ 222	$ -

(b) Foundations and auxiliaries:

The Branch had economic relationships with the British Columbia Mental Health Foundation (the "Foundation") which is responsible for fundraising activities for the Branch. The Foundation is a separate legal entity incorporated under the *Society Act of British Columbia* with separate governance structures. The Foundation is a registered charity under the provisions of the *Income Tax Act* of Canada. The financial and non-financial assets and liabilities and results from operations of the Foundation are not included in the financial statements of the Branch.

(c) Related party transactions with PHSA and members:

Certain administrative, finance and accounting, and human resource services are provided to the Branch by PHSA without charge. The costs of these services have not been recorded in the financial statements of the Branch.

During the year, the Branch was involved in the following related party transactions with other PHSA members:

For the year ended March 31, 2015, expenses include $305 (2014 – $-) resulting from transactions with other PHSA members.

The above amounts exclude transactions with PHSA which are disclosed elsewhere in these financial statements.